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Democratic Conference

Mike Mansfield 1903-2001

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REMARKS OF SENATOR MIKE MANSFIELD (D., MONTANA)

BEFORE THE
FORTY-FIRST ANNUAL MEETING
OF THE
SOUTHERN GOVERNORS' CONFERENCE
CONTEMPORARY RESORT HOTEL
WALT DISNEY WORLD
ORLANDO, FLORIDA
MONDAY, SEPTEMBER 15, 1975
9:30 A. M.

It is always a pleasure to meet with Governors in Washington but it is a distinct privilege to encounter the Southern Governors' Conference on their own grounds. And to discuss today's economic situation and reactions in the Capitol to that situation, there is no more suitable site than Disney World. Economically speaking, it is that kind of a world--a Disney world--in which we are living today. It is a world where illusion is advanced as reality, where solutions to the nation's economic ills are constructed out of a fabric of make-believe. Is that an exaggerated characterization. I think it is not exaggerated, not to the eight million or more Americans who are out of work and are told over and over again

that we have turned the corner. Not to the millions more who are underemployed or have given up looking for jobs. Take this region of the nation. In North Carolina, unemployment is nine percent; in Alabama, 9.1 percent; Georgia, 9.7 percent; South Carolina, 11.2 percent; and Florida, 12.1 percent. Those figures represent a world of shattered hope, interrupted lives, suffering and anxiety.

Inflation is another aspect of contemporary economic reality. It is just as debilitating to the nation as unemployment. The rate of price-rise was twelve percent last year. On an annual basis, inflation is now back into double digits. The price of food and gasoline, heating oil and rent, housing costs and electricity--not the frills and luxuries--but the essential components of life for Americans--the prices of these items are also the components of the price^{of}/inflation. They are soaring out of reach of the income of millions of Americans.

New York City tells us something of the state of the American economy. Some will dismiss that tragic situation as not a reflection of the economy but the product of mismanagement and inefficiency. To be sure, that may be involved in the New York predicament just as it is probably

involved in other cities and other governmental units in the nation, including Washington. The fact still remains that many cities are on the brink of disaster and financial collapse and much of it has to do with the state of the economy. New York is only the first in what may be a very long line of cities in need of bailout relief. The fact is that the federal government has already had to do the same for Lockheed Aircraft, the Pennsylvania Railroad and other large business enterprises. In a sense, cities, too, are enterprises, caught in similar economic forces. If the nation could not afford the collapse of the Pennsylvania railroad system, can it stand by while cities and, perhaps, state governments go down the drain?

We will not get far in meeting the nation's problems by trying to deflect their sting by blame-fixing; much more to the point is the fact that the nation's productive capacity is operating far below its potential. There are factories standing idle although there are idle hands ready to operate them. Production dropped more than nine percent last year; personal income has declined; consumer spending is down twelve percent and the drop is fifteen percent in business investment.

What about housing? Construction is down by well over one million units annually--with unemployment still running at nearly 30 percent throughout

the industry. Much the same story applies in automobiles. These are some of today's economic realities with which you are, I am sure, all too familiar. It is in line with these realities, not our wishful thinking, that we must direct our efforts. From the Administration come words of economic hope about flickers of economic hope. However sincere the words and whatever the flickers of hope, the Administration's vetoes have set the stage for further reversals in the nation's economy. Last week's rejection of the Emergency Petroleum Allocation Act Extension was a final straw. It stripped whatever protection was left to the nation against price gouging in petroleum products. I am frank to say that I do not know the exact toll--the specifics of what will happen in the next few months and in the years ahead. But, the door has been opened wide--and unless there is a reasonable compromise--the door to widespread economic hardship and disarray.

There are many views on what is going to happen unless some form of allocation and price control regarding petroleum is restored. The Congress is working on that matter now; both sides in Congress are working on it. The Senate Leadership is under instructions to meet with the President to try to develop some reasonable reconciliation of positions and I will do whatever I can to that end. But, frankly, I am not sanguine. In the meantime, the OPEC

cartel of oil producers which meets in a few days holds a sword over the head of an energy-hungry world. In this nation, prices of imported petroleum will be increased--increased substantially--if the cartel yields to the suggestions of some of its members for a stiff price rise. Prices on domestic oil, freed from control by the President's veto, will follow suit. What is clear in spite of the ifs, ands and buts, is that the consumer is going to get hurt--whether he depends on fuel oil for his home, gasoline for his car or any one of the countless other products which come from petroleum. A new wave of inflation, moreover, may be expected to run through the economy. The burden will be borne by your states and all states, by your cities and towns and by all cities and towns across America, by your farmers and all farmers.

The solution? The Administration has its solution. Its solution is to leave the price of petroleum to free market forces. Free market forces? OPEC? Yet, that is where we stand now and that is where we will remain unless the situation produced by the veto can be redressed.

The policy of "free market forces," in effect, has turned over to the foreign OPEC cartel the power to set the price of energy in this

nation. If maintained, this policy may well drive the only significant competitive forces in the oil business--the smaller companies--out of the market--leaving a few giants to manipulate energy production, prices and distribution. If maintained, this policy will, it has been estimated, cost the average American family an additional \$600 yearly in terms of increased costs for food and fuel, for transportation, clothing, heat and electricity.

The notion of policy-making by excessive use of the veto has become an all too familiar pattern. All it takes is a determined Administration and one-third of each house of Congress ready and willing to go along. There are more than enough in both Houses. Last spring this sort of policy-making was applied to legislation on surface mining. At the end of May it was applied to jobs. The Emergency Employment Act passed by Congress was designed to create nearly one million jobs. It was vetoed on the grounds that it would "damage the economy." On housing, the veto came down in June. To stimulate construction of a million houses and to create two million jobs, Congress passed the Emergency Housing Act. But housing construction and jobs were not a part of the Administration's program. And so it has been, through seven additional Congressional majority efforts to deal with

national problems which brought forth seven additional vetoes.

To be sure, there have been areas of cooperation between the Administration and a majority of Congress; too few, however, in my judgment, with too little in the way of results. There was the tax cut, for example, which was designed to induce consumer spending and stimulate recovery. The impact of that action has been offset largely by the Administration's restrictive monetary policy.

Where is the way out of the economic doldrums? We hear talk about the need for a tight federal budget and tight money. Of course we need to keep rein on government expenditures--at all levels--in good times and bad, and especially on the extravagant and the irrelevant. But the Administration proposed a massive deficit of over \$50 billion in the federal budget for this fiscal year.

It is said, too, that the fault lies with the American people who ask for too much. Tell that to the grocery shopper who feeds a family on inflation-eroded wages or a fixed income. Tell it to the worker whose job lies 50 miles from home and there is no way to get to it except by burning gasoline at 60 cents and more a gallon. Tell it to the homeowner trying to keep out the cold.

A hands-off economic policy, in my judgment, has little relevance at this time to the nation's economic ills. We are a massive and complex society. It has long ceased, if it ever did, to operate best on government indifference or disinterest. Indeed, without massive government, it cannot operate at all. We are bound into an economic and social complex that has been built up over decades and we cannot evade it by immersing ourselves in politics as usual. There is no turning back the clock to a time when Main Street was mainland America and simple solutions were the order of the day. Federal policies derived from a sentimental view of how America used to be when most Americans farmed for a living do not respond to the needs of America as it is, today, and as it is going to be tomorrow. At last count, only about five percent of the population lived on farms.

There is no substitute for an intelligent and substantial input from government if the economy is going to be restored. That kind of input can only be achieved if there is cooperation--cooperation between parties, cooperation between branches of government, cooperation between the federal government and state and local government. Out of this interaction can come a more integrated perception of the nation's needs and a more integrated response to those needs.

Any integrated action, today, has to begin with an effective energy policy. It is critical to ending the recession. It is critical to ending the inflation. There are some who would say let the lifting of price-controls take full effect, let this Administration rejoice in the achievement or suffer the consequences of a Pyrrhic victory of the veto. That may be the case, in any event, unless a greater disposition to reconcile positions develops in the Congress and the Administration.

Speaking personally, it is my judgment that the sooner we restore some measure of control over energy prices, the better for all concerned, including the Administration. Above all else, we must get on with the job of putting into effect a comprehensive energy program. We have got to look ahead for twenty-five or fifty years and at the utilization of all sources of energy. That is a far larger and, in the end, far more important question than price-policy. In the Senate, we have passed seven bills which form essential components of such a conservation and development program. The passage of only two or three more bills will complete this program. We are trying, now, to join this initiative with initiatives in the House of Representatives and with any which the Administration sees fit to contribute.

The federal government also has a responsibility, without delay, to put a massive dent in the high unemployment figures. The more we do to stimulate employment the faster this nation is going to recover economically and the better the prospects of dealing with the crises in the cities and other jurisdictions. If an expanded public service employment program is not possible, then other work incentive plans should be considered, whether administered by government or industry.

For continued economic stimulus, I think the tax reduction enacted earlier this year should and will be made permanent. I think Congress will insist on such an extension. At the same time, I would hope the Federal Reserve could be made to relax its monetary policy so that the various arms of government become more consistent in the effort to boost the economy. To be sure, the federal budget deserves scrutiny to try to keep non-essential spending in check. The Senate, in fact, has held the line against measures exceeding Congressional budget limits. Tax reform is another major area of concern; Congress and the Administration must address themselves to the matter of closing off loopholes and providing greater equity of burdens among tax payers. Tax shelters and tax evasions

for the wealthy make a mockery of the concept of the graduated income tax and contribute greatly to the growing cynicism towards all government.

These are but a few of the areas that require attention; there are others.

Events of the past several years have forced us to recognize the inadequacies of existing mechanisms for analyzing, planning and guiding the nation's economy away from the pitfalls of recession and inflation. In its creation of a new budget planning facility and a Commission on Economic Foresight, Congress has recognized this reality. Most of us have also learned, I think, that problems such as the oil crisis or food shortages or whatever are inextricably related to the nation's total economic well-being. Time and again we find ourselves scrambling to respond to economic situations which could have been avoided. If the wrong decision is made--whether minority-produced by the use of the veto or produced in haste by the majority--the consequences can be devastating to all of us. In other instances, we seem to lack effective and efficient bureaucratic structures and tools to implement well-meaning and well-conceived policies. A more selective, better administered and precise application of such programs,

as Medicare, public service jobs or public works, for instance, could greatly intensify their economic and social value.

The economic crisis which is not being dealt with adequately by the government is creating divisions within the nation, within the states and cities. The feeling is growing that the sacrifices which are being made and will continue to be made as a result of this crisis are not being borne equitably. That is a challenge to Congress, to the Administration, to governors and mayors. We must see to it that the burdens are more equally distributed. We must see to it that the poor, that those on low incomes, those who labor on the farm or live in the ghetto, are not made to suffer more than their share. I reiterate that that is our paramount responsibility--yours and mine, the responsibility of the President, of the Congress, the governors, the mayors--to insure that the impact of economic recession is minimized and its hardships are fairly distributed. The best way to deal with the situation which confronts us is to speed economic recovery, to "get the country moving again." Together we must work to construct policies designed to meet the needs of the nation today and tomorrow.